



FINANCIAL PERFORMANCE ANALYSIS OF STATE OWNED AND PRIVATE ENTERPRISES IN PHARMACEUTICAL INDUSTRY LISTED IN INDONESIA STOCK EXCHANGE IN PERIOD YEAR 2012 - 2016

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ABSTRACT

This study compares the financial performance between state owned and private enterprises in the pharmaceutical sub sector. The proxies for ratio analysis are current ratio, return on equity, debt equity ratio, and total asset turnover. By using independent sample t-test, the result shows that there was no significant difference between the financial performance of state owned and private enterprises on profitability ratio and activity ratio. Meanwhile, there was significant difference in the financial performance of state owned and private enterprises for liquidity ratio and leverage ratios. In addition, the result of the analysis illustrates that the performance of state owned enterprises were better than private enterprises in the pharmaceutical sub sector.

Keywords: *Activity Ratio, Financial Performance, Leverage Ratio, Liquidity Ratio, Profitability Ratio*

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1. INTRODUCTION

Competition among companies is increasingly tighter when entering an era of free trade, because companies are expected to boost the competitiveness of companies in order to be better in managing its company to deal with this condition. Therefore, the company should be able to develop a business strategy so it can maintain its existence. Companies are required to be able to run their business effectively and efficiently in an economic condition that is growing very rapidly.

A manufacturing company is a company engaged in the processing industry that manages raw materials into semi-finished goods or finished goods. The manufacturing industry in Indonesia is divided into several sub sectors, such as chemical, pharmaceutical, electronic, food and drink, textile and garment, etc. The researchers in this study chose the sub sector of pharmaceutical as an object of research. A pharmaceutical company is a company that manufactures medicinal products related to health. Indonesia is one of the countries with the fastest growth in the pharmaceutical market in the world.

Pharmaceutical companies listed in Indonesia Stock Exchange (IDX) can be divided into state owned (BUMN) Badan Usaha Milik Negara and private enterprises (BUMS) Badan Usaha Milik Swasta. Under the laws of the Republic of Indonesia number 19 in 2003, State-owned companies are business entities that all or most of the capital is owned by the state through its investment directly derived from the wealth of the countries already separated.

Private owned enterprises (BUMS), namely a business entity where the capital comes from private parties which are owned by a few people or a person. BUMS aims to develop business and capital as well as open jobs. The private-owned enterprises also have important roles that are not much different from the State-owned enterprises, namely to contribute in income funds in the form of taxes and help the Government in reducing unemployment.

Financial analysis that includes financial ratio analysis, analysis of the weaknesses and strengths in the field of financial will be helpful in assessing the achievements of the past and management in the future. Financial analysis can be known as the strengths and weaknesses that are owned by business enterprises.

A study conducted by Setiawan (2014) was a research that compares the financial performance of state owned and private enterprise in the telecommunication sector. This study suggested that the four variables: current ratio, debt to equity ratio, net profit margin and return on equity showed there was no difference in the financial performance between state owned (BUMN) and private enterprise (BUMS) listed on the Indonesia Stock Exchange period year 2009 - 2013.

Another study conducted by Auliannis (2014) who studied the financial performance comparison between state owned and private enterprise in the mining sector. The result of the research showed that only total asset turnover have no significant difference between state owned (BUMN) and private enterprise (BUMS) listed in Indonesia Stock Exchange.

Based on the explanation above, the researchers conducted research entitled "Financial Performance Analysis of State Owned Enterprises (BUMN) and Private Enterprises (BUMS) in Manufacturing Sector Listed in Indonesia Stock Exchange In The Period Year 2012 – 2016".

2. LITERATURE REVIEW

2.1 Financial Performance

Financial performance analysis is the process of determining the operating and financial characteristics of a firm from accounting and financial statements (Bhunia et al, 2011). The goal of such analysis is to determine the efficiency and performance of a firm's management,

as reflected in the financial record and reports. The analyst attempts to measure the firm's liquidity, profitability, and other indicators that the business is conducted in a rational and normal way; ensuring enough returns to the shareholders to maintain at least its market value (Pawar and Nayak, 2013). Financial performance is a general measurement of the organization's overall financial health which can reflect the firm's ability to generate new resources from day to day operations over a period of time (Boldeanu and Gheorghe, 2007).

2.2 Financial Statement

The principal financial statements of a corporation are the balance sheet, income statement, and statement of cash flow (Gibson, 2011:45). A company's financial statements are an extremely important source of information about the business, the statements should indicate where the company is now, where it has been, and provide useful clues about where it is going. Without the kind of information provided by financial statements, it is almost impossible to evaluate a company (Schall and Haley, 1991:558).

According to Dufera (2010), financial statements analysis is the process of critical evaluation of the financial information contained in the financial statements in order to understand and make decision regarding the operations of the firm. In general, the extent and depth of financial statement analysis is determined by user requirements; an analyst who is about to make a decision whether to invest in a firm is interested in its future performance. The technique involves the calculation of a number of ratio indicators which attempt to express the relationships which exist between key financial variables which appear principally in the published financial statements. The values for individual ratios are then compared with an appropriate standard to ascertain whether they are satisfactory or otherwise.

2.3 Financial Ratio Analysis

One of the tools in financial statement analysis is financial ratio analysis. As financial statements are usually lengthy, it will be more efficient and strategic to just pick up the figures that matter and plug them in pre-defined formulas developed through time by finance and accounting scholars (Tugas, 2012). The ratio analysis is an effective management tool for proper decision making that will improve your knowledge of financial results and trends over time. Ratio is used to relate one piece of financial data to another, as comparing ratio put two pieces of data on an equivalent base (Ranjan, 2016). According to Scott et al (1999:95) financial ratios help us identify some of the financial strengths and weaknesses of a company. The ratios give us two ways of making meaningful comparisons of a firm's financial data: (1) examine the ratios across time to identify any trends: and (2) compare the firm's ratios with those of other firms.

1. **Liquidity Ratio**

The liquidity of a firm is measured by its ability to satisfy its short-term obligations as they come due.

2. **Profitability Ratio**

Profitability ratios designate a company's overall efficiency and performance. It measures how the company uses its assets and control of its expenses to generate an acceptable rate of return.

3. **Leverage Ratio**

Leverage ratio is one of several financial measurements that look at how much capital comes in the form of debt (loans), to meet its financial obligations.

4. **Activity Ratio**

Activity ratios show the intensity with which the firm use the assets in generating sales.

2.4 Hypothesis

H1 : There are differences in the liquidity ratio between state owned and private enterprises.

H2 : There are differences in the profitability ratio between state owned and private enterprises.

H3 : There are differences in the leverage ratio between state owned and private enterprises.

H4 : There are differences in the activity ratio between State Owned and Private Enterprises.

3. METHODS

This study used secondary data in which the population and sampling method are the financial statement of the companies and purposive sampling technique. The data in this study is a time series data set obtained from several publication by Indonesia Stock Exchange (IDX) and website of each company. The data were collected by conducting literature study and documentation.

3.1 Empirical Model

The data analysis techniques used in this study were the descriptive statistics and Independent Sample t-test. In order to support the test, this study also conducted the test on the normality using Kolmogrov-Smirnov. Homogeneity test to test the differences between the two groups, it is necessary to test the homogeneity of variance in advance, whether the variances are equal or unequal. Mann-Whitney Test, which is one of the non-parametric test, is a very strong test to test whether independent groups are derived from the same population.

The Independent Sample t-test formula is as follows :

T test for equal variance using pooled variance, formula is:

$$t = \frac{X_1 - X_2}{\sqrt{\frac{(n_1 - 1)s_1^2 + (n_2 - 1)s_2^2}{n_1 + n_2 - 2} \left(\frac{1}{n_1} + \frac{1}{n_2}\right)}}$$

T test for unequal variance using separated variance,

$$t = \frac{X_1 - X_2}{\sqrt{\frac{s_1^2}{n_1} + \frac{s_2^2}{n_2}}}$$

Where :

X_1 = average of financial ratio

s_1^2 = variability of stated owned enterprise

s_2^2 =variability of private owned enterprise

n = number of sample

4. RESULTS AND DISCUSSION

4.1 Descriptive Statistics

Based on Table 1, it shows that only in return on equity that there is great fluctuation in state owned enterprises, because the standard deviation is bigger than the value of mean.

Based on Table 2, it shows that there is no great fluctuation in private enterprises, because the standard deviation is smaller than the value of mean.

4.2 Normality Test

Based on Table 3, it shows that the probability value > 0.05 . It concludes that the data has been normal distributed.

4.3 Independent Sample t-test

The result in homogeneity test indicate that the liquidity and leverage ratio used the equal variance not assumed because $F_{Count} > F_{Table}$, and the profitability and activity ratio used equal variance assumed because $F_{Count} < F_{Table}$.

The result of Independent sample t-test shows that there is significant differences in liquidity and leverage ratio, because the probability < 0.05 , 0.000 and 0.001. Meanwhile in profitability and activity ratio there is no significant differences, because probability > 0.05 , 0.195 and 0.454.

5. CONCLUSION

Based on the result of the analysis in this research, it can be concluded that :

1. Financial performance of state owned and private enterprises in terms of liquidity ratio during period year 2012 - 2016 was significantly different. Based on the result of analysis the value of mean current ratio of private enterprises was 396%, which is greater than state owned enterprises was 184 %, It shows that the private enterprises more liquid than state owned enterprises.
2. Financial performance of state owned and private enterprises in terms of profitability ratio during period year 2012 - 2016 has no significant differences. Based on the result of the analysis, the value of mean of private enterprises 22% is greater than state owned enterprises 7%, it means that the private enterprises are more effective and efficient than state owned enterprises in the use of company's equity to generate revenue.
3. Financial performance of state owned and private enterprises in terms of leverage ratio during period year 2012-2016 was significantly different. Based on the result of analysis, state owned enterprises show that the value of mean of 95% is greater than private enterprises which was 35%. This means that the private enterprises is better at paying their long term obligations.
4. Financial performance of state owned and private enterprises in terms of activity ratio during period year 2012 - 2016 has no significant differences. Based the result of analysis, total asset turnover of state owned and private enterprises is less efficient, because the mean of

total asset turnover during five years is under 150%. The result analysis shows that state owned enterprises are more efficient in optimizing assets to generate revenue compared with private enterprises, because the value of mean of state owned enterprises 131% is greater than private enterprises 123%.

5.1 Limitation

The study was limited by only using four independent variables which are liquidity ratio with current ratio as a proxy, profitability ratio with return on equity as a proxy, leverage ratio with debt equity ratio as a proxy, and activity ratio with total asset turnover as a proxy, so this financial performance analysis of the companies are only one aspect. For further researchers may add other proxies such as cash ratio for liquidity ratio, return on assets for profitability, net profit margin to leverage ratio, and inventory turnover for activity ratio. In addition, in helping comparison analysis, the researchers are able to optimize an analysis and comparison of financial performance much more in depth about the condition of the company or use the other methods of analysis of financial performance, such as EVA and MVA, so as to provide a different alternative in comparing financial performance between state owned enterprises and private enterprises. Moreover, researchers can add to the research period and samples of the company with a balanced amount in same sector.

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APPENDIX

List of Tables

Table 1: Descriptive Statistic of State Owned Enterprises

Note	CR	ROE	DER	TATO
	(X1)	(X2)	(X3)	(X4)
Mean	1.84	0.07	0.95	1.31
Standard Deviation	0.58	0.09	0.38	0.30
Maximum	2.80	0.15	1.59	1.80
Minimum	1.21	-0.09	0.44	0.97

Table 2: Descriptive Statistic of Private enterprises

Note	CR	ROE	DER	TATO
	(X1)	(X2)	(X3)	(X4)
Mean	3.96	0.22	0.35	1.23
Standard Deviation	2.16	0.15	0.16	0.27
Maximum	10.25	0.49	0.78	1.71
Minimum	1.54	0.03	0.07	0.78

Table 3: Normality Test of State Owned and Private Enterprises

		One-Sample Kolmogorov-Smirnov Test							
		Normal Parameters		Most Extreme Differences			Kolo mgrov - Smirn ov Z	Asymp. Sig. (2- tailed)	
		N	Mean	Std. Deviati on	Absolut e	Positi ve			Negativ e
CR	BUMN	10	183.965	57.849	0.223	0.223	-0.139	0.705	0.703
	BUMS	30	396.428	215.746	0.236	0.236	-0.130	1.294	0.070
ROE	BUMN	10	6.702	8.512	0.247	0.163	-0.247	0.781	0.576
	BUMS	30	21.590	14.734	0.210	0.210	-0.130	1.152	0.141
DER	BUMN	10	95.309	37.643	0.130	0.130	-0.087	0.410	0.996
	BUMS	30	35.200	16.433	0.138	0.138	-0.118	0.754	0.620
TAT O	BUMN	10	131.150	29.725	0.169	0.169	-0.134	0.534	0.938
	BUMS	30	122.994	26.750	0.186	0.120	-0.186	1.019	0.250

Table 4: Result Independent Sample T-test for Current Ratio

		CURRENT RATIO			
			Equal Variances Assumed	Equal Variances not Assumed	
Levene's Test	F		3.986		
for Equality of Variances	Sig		0.053		
	T		-3.053	-4.892	
	Df		38	37.272	
	Sig. (2-Tailed)		.004	.000	
t-test for Equality of Means	Mean Difference		-212.4626	-212.4626	
	Std. Error Difference		69.5843	43.43033	
	95 Confidence Interval of the Difference	Lower	-353.32866	-71.59654	
		Upper	-300.43915	-124.48605	

Table 5: Independent Sample T-test for Return On Equity

		RETURN ON EQUITY	
		Equal Variances Assumed	Equal Variances not Assumed
Levene's Test	F	1.692	
for Equality of Variances	Sig	0.21	
	T	-1.321	-2.276
	Df	38	30.751
	Sig. (2-Tailed)	.195	.03
	t-test for Equality of Means	Mean Difference	-22.407
	Std. Error Difference	16.967	9.846
	95 Confidence Interval of the Difference	Lower -56.757	-42.496
		Upper 11.942	-2.317

Table 6: Independent Sample T-test for Debt Equity Ratio

		DEBT EQUITY RATIO	
		Equal Variances Assumed	Equal Variances not Assumed
Levene's Test	F	15.732	
for Equality of Variances	Sig	.000	
	T	7.073	4.896
	Df	38	10.167
	Sig. (2-Tailed)	.000	.001
	t-test for Equality of Means	Mean Difference	60.10900
	Std. Error Difference	8.48947	12.27592
	95 Confidence Interval of the Difference	Lower 42.90476	32.81734
		Upper 77.31324	87.40066

Table 7: Independent Sample T-test for Total Asset Turnover

		TOTAL ASSET TURNOVER	
		Equal Variances Assumed	Equal Variances not Assumed
Levene's Test	F	.173	
for Equality of Variances	Sig	.679	
	T	.813	.770
	Df	38	14.194
	Sig. (2-Tailed)	0.421	0.454
t-test for Equality of Means	Mean Difference	8.15633	8.15633
	Std. Error Difference	10.03564	10.59303
	95 Confidence Interval of the Difference	Lower Upper	-12.15976 -14.53439 28.47242 30.8476